

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

|  |                                   |  |                   |
|--|-----------------------------------|--|-------------------|
| Local Government Type:<br><input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other |                                   | Local Government Name:<br>Road Commission for Oakland County | County<br>Oakland |
| Audit Date<br>September 30, 2004   | Opinion Date<br>December 22, 2004 | Date Accountant Report Submitted To State:<br>March 10, 2005 |                   |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| N/A <input type="checkbox"/> yes <input type="checkbox"/> no        | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

| We have enclosed the following:                                     | Enclosed                            | To Be Forwarded          | Not Required                        |
|---|-------------------------------------|--------------------------|-------------------------------------|
| The letter of comments and recommendations.                         | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |
| Reports on individual federal assistance programs (program audits). | <input type="checkbox"/>            | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Single Audit Reports (ASLGU).                                       | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/>            |

|  |                    |             |              |
|--|--------------------|-------------|--------------|
| Certified Public Accountant (Firm Name): <b>Plante &amp; Moran, PLLC</b> |                    |             |              |
| Street Address<br>27400 Northwestern Highway                             | City<br>Southfield | State<br>MI | ZIP<br>48034 |
| Accountant Signature<br><br><i>Plante &amp; Moran, PLLC</i>              |                    |             |              |

# **Road Commission for Oakland County**

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**Financial Report**  
**with Supplementary Information**  
**September 30, 2004**

# Road Commission for Oakland County

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## Independent Auditor's Report

To the Board of Road Commissioners  
Road Commission for Oakland County

We have audited the accompanying basic financial statements of the Road Commission for Oakland County, Michigan as of and for the year ended September 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Road Commission for Oakland County, Michigan at September 30, 2004 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the required supplementary information are not a required part of the basic financial statements but are supplemental information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Road Commission for Oakland County. This information has been subjected to the procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A member of



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To the Board of Road Commissioners  
Road Commission for Oakland County

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2004 on our consideration of the Road Commission for Oakland County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

December 22, 2004

# **Road Commission for Oakland County**

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## **Management's Discussion and Analysis**

Our discussion and analysis of the financial performance of the Road Commission for Oakland County (the "Road Commission") provides an overview of the Road Commission's financial activities for the fiscal year ended September 30, 2004. Please read this in conjunction with the financial statements.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The governmental funds balance sheet/statement of net assets presents all governmental activities of the Road Commission, presented first by fund on a modified accrual basis, and then in total on a full accrual basis. The modified accrual fund-based columns present a short-term view of the Road Commission; they tell us how much is available for future spending. The total full accrual column is intended to present a longer-term view, and tells us whether taxpayers have funded the full cost of providing services to date.

The statement of governmental fund revenues, expenditures, and changes in fund balances/statement of activities also presents all governmental activities of the Road Commission, presented first by fund on a modified accrual basis, and then in total on a full accrual basis. The modified accrual fund-based columns tell us how the motoring public's money was spent during the year, while the total full accrual column tells us the cost of providing services this year, as well as whether the motoring public has paid the full cost of providing services this year.

These two statements are followed by the Pension Trust Fund statement of plan net assets and statement of changes in plan net assets. These statements provide information about the retirement system, for which the Road Commission acts solely as trustee for the benefit of current and future retirees.

### **Financial Analysis of the Road Commission as a Whole**

The following table provides condensed information about the total full accrual finances of the Road Commission as of September 30, 2004 and 2003 and for the years then ended. As discussed above, the total full accrual columns report the Road Commission's net assets and how they have changed. The reader can think of the Road Commission's net assets (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net assets may be one indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Road Commission, the reader also needs to consider additional nonfinancial factors such as changes in the condition of the Road Commission's roads and changes in the laws related to gas taxes and their distribution.

# Road Commission for Oakland County

## Management's Discussion and Analysis (Continued)

|  | September 30          |                       |
|--|-----------------------|-----------------------|
|  | 2004                  | 2003                  |
| <b>Assets</b>                                    |                       |                       |
| Current and other assets                         | \$ 102,642,460        | \$ 101,449,364        |
| Capital assets                                   | 542,873,180           | 505,883,937           |
| Total assets                                     | 645,515,640           | 607,333,301           |
| <b>Liabilities</b>                               |                       |                       |
| Current liabilities                              | 38,813,535            | 40,624,746            |
| Long-term liabilities                            | 16,645,433            | 17,175,974            |
| Total liabilities                                | 55,458,968            | 57,800,720            |
| <b>Net Assets</b>                                |                       |                       |
| Invested in capital assets - Net of related debt | 529,498,180           | 492,425,089           |
| Unrestricted                                     | 60,558,492            | 57,107,492            |
| Total net assets                                 | <u>\$ 590,056,672</u> | <u>\$ 549,532,581</u> |
| <b>Statement of Activities</b>                   |                       |                       |
| Revenues:  |                       |                       |
| State Aid - Act 51                               | \$ 64,494,903         | \$ 61,771,504         |
| Other state sources                              | 15,077,221            | 20,571,768            |
| Federal sources                                  | 26,129,586            | 19,546,051            |
| Revenue from county and local governments        | 11,666,567            | 9,449,198             |
| Other  | 7,011,043             | 7,232,376             |
| Total revenue                                    | 124,379,320           | 118,570,897           |
| Expenses:  |                       |                       |
| General administration                           | 4,313,109             | 4,321,827             |
| Departmental operations and maintenance          | 37,031,170            | 33,133,549            |
| Nondepartmental                                  | 13,202,160            | 11,534,538            |
| Interest   | 549,800               | 626,325               |
| Depreciation                                     | 30,409,823            | 29,253,656            |
| Total expenses                                   | 85,506,062            | 78,869,895            |
| Change in net assets - Before extraordinary item | 38,873,258            | 39,701,002            |
| Extraordinary item                               | 1,650,833             | -                     |
| Change in net assets                             | <u>\$ 40,524,091</u>  | <u>\$ 39,701,002</u>  |

# Road Commission for Oakland County

## **Management's Discussion and Analysis (Continued)**

The Road Commission's net assets increased approximately 7.4 percent, from \$549,532,581 to \$590,056,672 for the year ended September 30, 2004. This was primarily because capital grants and donations were provided in the current year for capital expenditures that will be recognized in future years as depreciation expense. The investment in capital assets, net of accumulated depreciation and disposals, increased by \$36,989,243 and \$30,872,740 for the years ended September 30, 2004 and 2003, respectively.

The Road Commission's revenue for the year ended September 30, 2004 increased approximately 4.9 percent from the prior year total, without consideration of the extraordinary item. This increase was principally due to increased federal, county, and local governmental revenue representing participation in road construction projects. Road construction activity of the current year was more than that of the preceding year. Also, expenditures for the fiscal year ended September 30, 2004 were more than the preceding year by approximately 8.4 percent. This is principally due to the fact that certain construction and maintenance expenditures were deferred in the preceding year and incurred in the current year.

### **Financial Analysis of Individual Funds of the Road Commission**

The Road Commission currently has two operating funds: the Subdivision Improvement Fund, which accounts for the activity of special assessment districts, and the Road Fund, which accounts for all of the other operating activity of the Road Commission. The reporting of the individual governmental funds focuses on the inflows and outflows of money and the balances left at year end that are available for spending. These funds report using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The individual fund columns provide a detailed short-term view of the Road Commission's general operations and the basic services it provides. Individual fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services.

The Road Fund is used to account for the general operations of the Road Commission. It is used to control the expenditures of Michigan Transportation Fund (MTF) monies distributed to the Road Commission, which are earmarked by law for road and highway purposes. For the year ended September 30, 2004, the fund balance of the Road Fund increased by \$5,813,075. Total revenues were \$123,532,272, without consideration of the extraordinary item, and total expenditures were \$119,369,252, which represented increases from the prior year of 8.5 percent and 7.1 percent in revenues and expenditures, respectively. Both increases were principally due to the increase in the amount of road and facilities construction and road maintenance performed during the current year. The size of the next year construction program anticipates the use of funds collected in prior years and is expected to result in a decrease in next year's fund balance.



# Road Commission for Oakland County

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## Management's Discussion and Analysis (Continued)

### Budgetary Highlights

Prior to beginning each year, the Road Commission's budget is prepared based upon certain assumptions and facts available at that time. During the year, the Road Commission Board amends its budget to reflect changes in these original assumptions, facts, and/or economic conditions that were unknown at the time the original budget was adopted. In addition, by policy, the Board reviews and authorizes large expenditures throughout the year.

The amended Road Fund revenue budget for the year ended September 30, 2004 was \$6,554,069 higher than the original budget, primarily due to the budget adjustments to reflect more participation from other units of government in the Road Improvement Program (RIP). Several times during the year, the RIP budget is amended to more accurately reflect construction activity. These amendments include the related revenue adjustments. The actual revenue recognized during the year ended September 30, 2004 was less than the amended budget by \$534,110.

The amended Road Fund expenditure budget for the year ended September 30, 2004 was \$11,734,049 higher than the original budget, primarily due to capital outlay and contracted services expenditures. Each year, the original budget is amended for the prior year's capital outlay, contracted services, and RIP expenditures that were committed to in the prior year but where the goods were not received or services were not performed until the subsequent year. The actual expenditures recognized during the year ended September 30, 2004 were less than the amended budget by \$14,054,615, principally due to this type of expenditure timing difference.

# Road Commission for Oakland County

## Management's Discussion and Analysis (Continued)

### Capital Asset and Debt Administration

#### *Capital Assets*

As of September 30, 2004 and 2003, the Road Commission had invested \$542,873,180 and \$505,883,937, respectively, in net capital assets. This year's amount represents a net increase (including additions, deletions, and depreciation) of \$36,989,243 or approximately 7.3 percent. The Road Commission added \$68,117,211 to its investment in capital assets during the current year, including \$61,104,711 of infrastructure additions. Depreciation of capital assets is provided for annually over estimated future lives. Infrastructure construction is funded by federal, state, and local contributions, as well as by Road Commission revenues. Capital asset additions for the current and prior year include the following:

|   | 2004                 | 2003                 |
|---|----------------------|----------------------|
| Buildings and storage bins - Including land | \$ 221,250           | \$ 582,588           |
| Road equipment                              | 4,559,367            | 2,955,335            |
| Other equipment                             | 328,797              | 410,509              |
| Infrastructure - Including land             | 61,104,711           | 59,806,374           |
| Construction in progress                    | 1,903,086            | 421,080              |
| Total additions                             | <u>\$ 68,117,211</u> | <u>\$ 64,175,886</u> |

#### *Debt*

At September 30, 2004 and 2003, the Road Commission had \$11,875,000 and \$13,850,000, respectively, in outstanding notes payable.

Other long-term obligations include accrued vacation pay and sick leave, as well as reserves for various losses. More detailed information about the Road Commission's long-term liabilities is presented in Note 5 to the financial statements.

# **Road Commission for Oakland County**

## **Management's Discussion and Analysis (Continued)**

### **Economic Factors and Next Year's Budget**

During fiscal year ended September 30, 2004, the Michigan Transportation Fund (MTF), the Road Commission's primary revenue source, received a one-time funding increase from a change in the collection of trailer registration fees. While this change favorably increased the fiscal year ended September 30, 2004 MTF revenue, it will also force a reduction in future MTF revenue projections by generating less funding than in years prior to the change. In addition, in its ongoing effort to balance its budget, the Michigan state government continues to evaluate various alternatives for shifting state-wide financial resources and this evaluation may include reallocating current resources from transportation purposes to other uses. Since the one-time increase in funding will affect future revenue projections, and since there is uncertainty involved with the State's approach to dealing with the general statewide economic slowdown, the Road Commission is forced to conservatively forecast its MTF revenues for its fiscal year ending September 30, 2005 budget.

Overall, the fiscal year ending September 30, 2005 budget reflects that the Road Commission's primary revenue source (MTF) is not keeping up with the inflationary increases in its normal operating costs. As a result, next year's budget must include reduced expenditures for road improvement projects and maintenance activities (exclusive of items carried over from fiscal year ended September 30, 2004). Implicit in next year's budget is the fact that, without adequate increases in its MTF revenue, the Road Commission will have diminishing resources for road improvement and maintenance activities.

### **Contacting the Commission's Financial Management**

This financial report is designed to provide the motoring public, citizens, and other interested parties a general overview of the Road Commission's finances and to show the Road Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Road Commission for Oakland County administrative offices at 31001 Lahser Road, Beverly Hills, Michigan 48025.

# Road Commission for Oakland County

## Governmental Funds Balance Sheet/Statement of Net Assets September 30, 2004

|   | Major Fund -<br>Road | Nonmajor Fund -<br>Subdivision<br>Improvements | Total<br>Governmental<br>Funds | Adjustments<br>(Note 2) | Statement of Net<br>Assets |
|---|----------------------|--|--------------------------------|-------------------------|----------------------------|
| <b>Assets</b>   |                      |  |                                |                         |                            |
| Cash and cash equivalents (Note 3)                      | \$ 29,213,679        | \$ 5,574,090                                   | \$ 34,787,769                  | \$ -                    | \$ 34,787,769              |
| Investments (Note 3)                                    | 37,120,000           | -  | 37,120,000                     | -                       | 37,120,000                 |
| Receivables:  |                      |  |                                |                         |                            |
| Accounts  | 20,008,075           | -  | 20,008,075                     | -                       | 20,008,075                 |
| Investment income                                       | 22,035               | -  | 22,035                         | -                       | 22,035                     |
| Special assessments                                     | -                    | 6,545,984                                      | 6,545,984                      | -                       | 6,545,984                  |
| Internal receivables                                    | 531,093              | (531,093)                                      | -                              | -                       | -                          |
| Deposits with State on federal construction<br>projects | 75,300               | -  | 75,300                         | -                       | 75,300                     |
| Inventory   | 3,304,839            | -  | 3,304,839                      | -                       | 3,304,839                  |
| Deposits, prepaid expenses, and other assets            | 778,458              | -  | 778,458                        | -                       | 778,458                    |
| Capital assets - Net (Note 4):                          |                      |  |                                |                         |                            |
| Assets being depreciated                                | -                    | -  | -                              | 431,681,829             | 431,681,829                |
| Assets not being depreciated - Land                     | -                    | -  | -                              | 111,191,351             | 111,191,351                |
| <b>Total assets</b>                                     | <b>\$ 91,053,479</b> | <b>\$ 11,588,981</b>                           | <b>\$ 102,642,460</b>          | <b>\$ 542,873,180</b>   | 645,515,640                |
| <b>Liabilities and Fund Balances</b>                    |                      |  |                                |                         |                            |
| <b>Liabilities</b>                                      |                      |  |                                |                         |                            |
| Accounts payable  | \$ 9,152,907         | \$ 38,863                                      | \$ 9,191,770                   | \$ -                    | 9,191,770                  |
| Advances and deferred revenue                           | 27,916,812           | 6,545,984                                      | 34,462,796                     | (11,892,981)            | 22,569,815                 |
| Deposits  | 2,216,428            | -  | 2,216,428                      | -                       | 2,216,428                  |
| Accrued liabilities                                     | 2,784,344            | -  | 2,784,344                      | 76,178                  | 2,860,522                  |
| Notes payable, due within one year (Note 5)             | -                    | -  | -                              | 1,975,000               | 1,975,000                  |
| Notes payable, due in more than one year (Note 5)       | -                    | -  | -                              | 9,900,000               | 9,900,000                  |
| Other long-term liabilities (Notes 5 and 7)             | -                    | -  | -                              | 6,745,433               | 6,745,433                  |
| <b>Total liabilities</b>                                | <b>42,070,491</b>    | <b>6,584,847</b>                               | <b>48,655,338</b>              | <b>6,803,630</b>        | 55,458,968                 |
| <b>Fund Balances</b>                                    |                      |  |                                |                         |                            |
| Reserved (Note 8)                                       | 13,670,166           | -  | 13,670,166                     | (13,670,166)            | -                          |
| Unreserved - Designated (Note 9)                        | 35,312,822           | 5,004,134                                      | 40,316,956                     | (40,316,956)            | -                          |
| <b>Total fund balances</b>                              | <b>48,982,988</b>    | <b>5,004,134</b>                               | <b>53,987,122</b>              | <b>(53,987,122)</b>     | -                          |
| <b>Total liabilities and fund balances</b>              | <b>\$ 91,053,479</b> | <b>\$ 11,588,981</b>                           | <b>\$ 102,642,460</b>          |                         |                            |
| <b>Net Assets</b>                                       |                      |  |                                |                         |                            |
| Investment in capital assets - Net of related debt      |                      |  |                                | 529,498,180             | 529,498,180                |
| Unrestricted  |                      |  |                                | 60,558,492              | 60,558,492                 |
| <b>Total net assets</b>                                 |                      |  |                                | <b>\$ 590,056,672</b>   | <b>\$ 590,056,672</b>      |

# Road Commission for Oakland County

## Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities Year Ended September 30, 2004

|   | Major Fund -<br>Road | Nonmajor<br>Fund -<br>Subdivision<br>Improvements | Total<br>Governmental<br>Funds | Adjustments<br>(Note 2) | Statement of<br>Activities |
|---|----------------------|---|--------------------------------|-------------------------|----------------------------|
| <b>Revenue</b>  |                      |   |                                |                         |                            |
| State aid - Act 51  | \$ 64,494,903        | \$ -  | \$ 64,494,903                  | \$ -                    | \$ 64,494,903              |
| Other state sources   | 16,705,913           | -   | 16,705,913                     | (1,628,692)             | 15,077,221                 |
| Federal sources   | 27,734,419           | -   | 27,734,419                     | (1,604,833)             | 26,129,586                 |
| Revenue from county and local governments   | 12,254,018           | -   | 12,254,018                     | (587,451)               | 11,666,567                 |
| Special assessment revenue  | -                    | 2,049,148   | 2,049,148                      | 1,785,428               | 3,834,576                  |
| Interest  | 687,272              | 364,790   | 1,052,062                      | -                       | 1,052,062                  |
| Fees and other revenue  | 1,655,747            | -   | 1,655,747                      | 468,658                 | 2,124,405                  |
| <b>Total revenue</b>  | <b>123,532,272</b>   | <b>2,413,938</b>                                  | <b>125,946,210</b>             | <b>(1,566,890)</b>      | <b>124,379,320</b>         |
| <b>Expenditures</b>   |                      |   |                                |                         |                            |
| General administration  | 4,526,787            | -   | 4,526,787                      | (213,678)               | 4,313,109                  |
| Central operations  | 11,384,714           | -   | 11,384,714                     | (3,547,361)             | 7,837,353                  |
| Engineering department  | 5,372,581            | -   | 5,372,581                      | (4,965,654)             | 406,927                    |
| Traffic department  | 10,420,066           | -   | 10,420,066                     | (3,740,714)             | 6,679,352                  |
| Permits and environmental concerns  | 1,135,708            | -   | 1,135,708                      | (1,052,590)             | 83,118                     |
| Maintenance department  | 24,699,106           | -   | 24,699,106                     | (2,674,686)             | 22,024,420                 |
| Nondepartmental   | 15,715,571           | -   | 15,715,571                     | (2,513,411)             | 13,202,160                 |
| Debt service:   |                      |   |                                |                         |                            |
| Principal payments  | 1,241,507            | 733,493   | 1,975,000                      | (1,975,000)             | -                          |
| Interest and other  | 363,457              | 198,269   | 561,726                        | (11,926)                | 549,800                    |
| Depreciation expense  | -                    | -   | -                              | 30,409,823              | 30,409,823                 |
| Project expenditures:   |                      |   |                                |                         |                            |
| Road improvement program and construction   | 36,819,437           | 2,960,124   | 39,779,561                     | (39,779,561)            | -                          |
| Southeast Michigan snow and ice management  | 2,266,054            | -   | 2,266,054                      | (2,266,054)             | -                          |
| Signals   | 4,581,812            | -   | 4,581,812                      | (4,581,812)             | -                          |
| Intelligent transportation systems  | 842,452              | -   | 842,452                        | (842,452)               | -                          |
| <b>Total expenditures</b>   | <b>119,369,252</b>   | <b>3,891,886</b>                                  | <b>123,261,138</b>             | <b>(37,755,076)</b>     | <b>85,506,062</b>          |
| <b>Excess of Revenue Over Expenditures/Change in Net Assets - Before extraordinary item</b> | <b>4,163,020</b>     | <b>(1,477,948)</b>                                | <b>2,685,072</b>               | <b>36,188,186</b>       | <b>38,873,258</b>          |
| <b>Extraordinary Item - Gain on insurance recovery (Note 14)</b>                            | <b>1,650,055</b>     | <b>-</b>  | <b>1,650,055</b>               | <b>778</b>              | <b>1,650,833</b>           |
| <b>Change in Fund Balances/Net Assets</b>   | <b>5,813,075</b>     | <b>(1,477,948)</b>                                | <b>4,335,127</b>               | <b>36,188,964</b>       | <b>40,524,091</b>          |
| <b>Fund Balances/Net Assets - October 1, 2003</b>   | <b>43,169,913</b>    | <b>6,482,082</b>                                  | <b>49,651,995</b>              | <b>499,880,586</b>      | <b>549,532,581</b>         |
| <b>Fund Balances/Net Assets - September 30, 2004</b>  | <b>\$ 48,982,988</b> | <b>\$ 5,004,134</b>                               | <b>\$ 53,987,122</b>           | <b>\$ 536,069,550</b>   | <b>\$ 590,056,672</b>      |

# Road Commission for Oakland County

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## **Pension Trust Fund Statement of Plan Net Assets December 31, 2003 (Note 1)**

### **Assets**

|  |                        |
|--|------------------------|
| Cash and short-term investments (Note 3) | \$ 3,840,660           |
| Receivables - Interest and dividends     | 697,117                |
| Investments (Note 3):                    |                        |
| U.S. government obligations              | 8,319,770              |
| U.S. agencies obligations                | 24,764,008             |
| Corporate bonds                          | 27,971,581             |
| Corporate equities                       | 85,155,469             |
| Interest in investment pool              | <u>21,736,107</u>      |
| <br>Total investments                    | <br><u>167,946,935</u> |
| <br>Total assets                         | <br><u>172,484,712</u> |

### **Liabilities**

|                                       |                       |
|---------------------------------------|-----------------------|
| Accounts payable - Brokers - Net      | 558,465               |
| Securities lending collateral payable | <u>21,736,107</u>     |
| <br>Total liabilities                 | <br><u>22,294,572</u> |

|  |                              |
|--|------------------------------|
| <b>Net Assets Held in Trust for Pension Benefits</b> | <b><u>\$ 150,190,140</u></b> |
|--|------------------------------|

# Road Commission for Oakland County

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## **Pension Trust Fund Statement of Changes in Plan Net Assets December 31, 2003 (Note 1)**

### **Additions**

Investment income:

|   |                  |
|---|------------------|
| Interest and dividends                        | \$ 4,901,885     |
| Net appreciation in fair value of investments | 18,865,783       |
| Less investment expenses                      | <u>(920,436)</u> |

Net investment income 22,847,232

Employer contributions 1,895,360

Total additions 24,742,592

**Deductions - Benefit payments** 6,006,821

**Net Increase** 18,735,771

### **Net Assets Held in Trust for Pension Benefits**

January 1, 2003 131,454,369

December 31, 2003 **\$ 150,190,140**

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2004

### Note I - Significant Accounting Policies

The Road Commission for Oakland County, Michigan (the "Road Commission") is a governmental agency, legally titled the Board of County Road Commissioners of the County of Oakland, which is responsible for the maintenance and construction of the county road system in the county. The Road Commission's financial statements will be included in the basic financial statements of the County of Oakland, Michigan.

All funds of the Road Commission have a September 30 year end except the Retirement System, which is on a calendar year reporting basis. The September 30, 2004 financial statements of the Road Commission include certain Retirement System financial data as previously reported at December 31, 2003, the latest available financial statements of the Retirement System.

The accounting policies of the Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

In accordance with GASB No. 34 definitions, the Road Commission has summarized its September 30, 2004 revenue into the following program revenue categories:

|                                    |                       |
|------------------------------------|-----------------------|
| Charges for services               | \$ 16,235,538         |
| Operating grants and contributions | 65,262,006            |
| Capital grants and contributions   | <u>42,881,776</u>     |
| Total revenue                      | <u>\$ 124,379,320</u> |

### **Basic Financial Statements - Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Road Commission. The Road Commission consists solely of governmental-type activities; no business-type activities exist.

The fund financial statements are provided for governmental funds and have been stated in conjunction with the government-wide financial statements.

The major individual governmental fund is reported as a separate column in the fund financial statements.



# Road Commission for Oakland County

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**Notes to Financial Statements  
September 30, 2004**

## **Note I - Significant Accounting Policies (Continued)**

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Road Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue related to construction projects and inspection work orders is recognized as the related costs are incurred, subject to the availability criterion. Other revenue is recorded when received.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are generally recorded only when payment is due.

Noncurrent receivables, such as special assessments, are recorded at full value and deferred revenue is recorded for the portion not available for use to finance operations as of year end.

Interest earned on investments is recorded on the accrual basis. Interest revenue on special assessment receivables is not accrued until its due date.

The Road Commission reports the following major governmental fund:

The Road Fund is used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2004

### Note 1 - Significant Accounting Policies (Continued)

The Road Commission also reports the following additional funds:

The Subdivision Improvements Fund (a nonmajor governmental fund) is used to account for the construction and financing of public improvements provided in benefiting districts that are to be paid, at least in part, from an assessment against the benefited property.

The Pension Trust Fund is used to account for assets held by the Road Commission in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. The Retirement System is a Pension Trust Fund.

**Cash and Investments** - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are reported at fair value, based on quoted market prices.

**Accounts Receivable and Deferred Revenue** - Accounts receivable are primarily amounts due from other units of government. Accounts receivable at September 30, 2004 are recorded net of approximately \$4,145,000 of advances and allowances and include approximately \$1,876,000 related to an advance-construct construction project, for which federal funds for payment are not expected to become available until after 2007.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of advances and deferred revenue are as follows:

|                                | Unavailable         | Unearned            |
|--------------------------------|---------------------|---------------------|
| Advances and deposits          | \$ -                | \$22,569,815        |
| Accounts receivable            | 2,286,368           | -                   |
| Special assessments receivable | 6,545,984           | -                   |
| Insurance proceeds receivable  | 711,021             | -                   |
| Grant revenue receivable       | 2,349,608           | -                   |
| Total                          | <u>\$11,892,981</u> | <u>\$22,569,815</u> |

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2004

### Note I - Significant Accounting Policies (Continued)

**Inventory and Prepaid Items** - Inventory consists principally of road material, salt, signs, and equipment maintenance materials and is valued at average cost. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items or deposits in both governmental-wide and fund financial statements.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Road Commission as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation charges in 2004 totaled \$30,409,823, based on the following methods and useful lives:

|                             | Methods                                 | Useful<br>Lives - Years |
|-----------------------------|---|-------------------------|
| Buildings                   | Straight-line                           | 45-50                   |
| Salt storage bins           | Units of production                     | Various                 |
| Road equipment              | Sum of years - Digits                   | 5-8                     |
| Other equipment             | Sum of years - Digits and straight-line | 5-10                    |
| Brine wells and gravel pits | Straight-line and units of production   | Various                 |
| Infrastructure:             |   |                         |
| Roads                       | Straight-line                           | 5-30                    |
| Other                       | Straight-line                           | 10-50                   |

**Compensated Absences (Vacation and Sick Leave)** - It is the Road Commission's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Long-term Obligations** - Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2004

### Note 1 - Significant Accounting Policies (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report designations of fund balance for amounts that represent tentative management plans that are subject to change.

Other accounting policies are disclosed in other notes to the financial statements.

### Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Amounts reported in the government-wide financial statements are different from amounts reported in the governmental funds because of the following:

|   |                              |
|---|------------------------------|
| <b>Governmental Funds Fund Balance</b>  | <b>\$ 53,987,122</b>         |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds  | 542,873,180                  |
| Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures                             | 6,545,984                    |
| Federal, state, local, and other receivables not collected within 60 days of year end are not available to pay for current year expenditures                          | 5,346,997                    |
| Long-term notes payable that are not due and payable in the current period and are not reported in the funds  | (11,875,000)                 |
| Long-term portion of compensated absences liability and provision for uninsured workers' compensation and general liability losses that are not reported in the funds | (6,745,433)                  |
| Accrued interest payable is not reported in the funds   | <u>(76,178)</u>              |
| <b>Government-wide Net Assets</b>   | <b><u>\$ 590,056,672</u></b> |

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2004

### Note 2 - Reconciliation of Government-wide and Fund Financial Statements (Continued)

|  |                             |
|--|-----------------------------|
| <b>Net Change in Fund Balances - Total governmental funds</b>  | <b>\$ 4,335,127</b>         |
| Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation   | 37,699,486                  |
| The reduction in the carrying value of assets lost or damaged in the fire is accounted for in the statement of activities, but not in the government-wide funds  | (710,243)                   |
| Special assessment revenues are recorded in the statement of activities when the assessment is made; they are not reported in the funds until collected or collectible within 60 days of year end  | 1,785,428                   |
| In the governmental funds, federal, state, and local revenues (including insurance claims receivable) not collected within 60 days of year end are not available to pay for current year expenditures, whereas in the statement of activities, revenue is recognized when earned | (3,128,174)                 |
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)  | 1,975,000                   |
| Changes in accumulated sick and vacation pay, as well as estimated general liability and workers' compensation claims, are recorded when earned in the statement of activities   | (1,444,459)                 |
| Interest expense is recorded in the statement of activities when a liability is incurred; they are reported in the funds only when payment is due  | <u>11,926</u>               |
| <b>Change in Net Assets of Governmental Activities</b>   | <b><u>\$ 40,524,091</u></b> |

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2004

### Note 3 - Deposits and Investments

The Road Commission's deposits and investments at September 30, 2004 are included on the balance sheet under the following classifications:

|                             | Balance Sheet Classifications |                       |                       |
|-----------------------------|-------------------------------|-----------------------|-----------------------|
|                             | Cash and Cash<br>Equivalents  | Investments           | Total                 |
| Governmental funds:         |                               |                       |                       |
| Deposits                    | \$ 29,254,325                 | \$ 37,120,000         | \$ 66,374,325         |
| Investments                 | 5,528,799                     | -                     | 5,528,799             |
| Petty cash and cash on hand | 4,645                         | -                     | 4,645                 |
| Total governmental funds    | <u>\$ 34,787,769</u>          | <u>\$ 37,120,000</u>  | <u>\$ 71,907,769</u>  |
| Pension Trust Fund:         |                               |                       |                       |
| Deposits*                   | \$ 518,000                    | \$ -                  | \$ 518,000            |
| Investments*                | <u>3,322,660</u>              | <u>167,946,935</u>    | <u>171,269,595</u>    |
| Total Pension Trust Fund    | <u>\$ 3,840,660</u>           | <u>\$ 167,946,935</u> | <u>\$ 171,787,595</u> |

\* Amount represents balances in the Employees' Retirement System as of December 31, 2003.

#### Deposits

The above governmental funds deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$63,488,716. Of that amount, \$1,197,521 was covered by federal depository insurance and \$62,291,195 was uninsured and uncollateralized.

The above pension trust fund deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or deposits in transit) at \$518,000. Of that amount, \$100,000 was covered by federal depository insurance and \$418,000 was uninsured and uncollateralized.

The Road Commission believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Road Commission evaluates each financial institution with which it deposits Road Commission funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# Road Commission for Oakland County

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**Notes to Financial Statements  
September 30, 2004**

## **Note 3 - Deposits and Investments (Continued)**

Each of the Retirement System's six investment manager's accounts is insured by the Securities Investors Protection Act, up to \$500,000 to replace cash (up to \$100,000), stocks, or bonds held by the broker-dealer.

### **Investments**

The Road Commission is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

The Retirement System is also authorized by Michigan Public Act 55 of 1982, as amended by Public Act 485 of 1996, to invest in certain repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local governmental obligations, and certain other specified investment vehicles.

The Road Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at September 30, 2004 (and at December 31, 2003 with respect to the Retirement System). Risk Category 1 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the Road Commission or its agent in the Road Commission's name

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Road Commission's name. Category 3 includes investments held by:

- a. The counterparty
- b. The counterparty's trust department (or agent) but not in the Road Commission's name

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2004

### Note 3 - Deposits and Investments (Continued)

All of the following investments are included in Risk Category 2, with the exception of the noncategorized investments, which are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above. The bank investment pools are regulated by the Michigan Banking Act and the fair value of the position in the pool is the same as the value of the pool shares.

|   | Carrying Value<br>(Fair Value) |
|---|--------------------------------|
| Governmental funds - Bank investment pool                                 | <u>\$ 5,528,799</u>            |
| Pension Trust Fund:   |                                |
| Categorized investments:  |                                |
| U.S. government obligations   | \$ 8,319,770                   |
| U.S. agency debt obligations  | 16,338,723                     |
| Corporate debt obligations  | 26,848,932                     |
| Corporate equities  | <u>73,656,115</u>              |
| Total categorized investments   | 125,163,540                    |
| Noncategorized investments:   |                                |
| Investments held by broker-dealers under collateralized securities loans: |                                |
| U.S. agency debt obligations  | 8,425,285                      |
| Corporate debt obligations  | 1,122,649                      |
| Corporate equities  | 11,499,354                     |
| Securities lending short-term collateral interest in investment pool      | 21,736,107                     |
| Short-term broker investment pools  | <u>3,322,660</u>               |
| Total noncategorized investments  | <u>46,106,055</u>              |
| Total pension trust fund investments*                                     | <u>\$ 171,269,595</u>          |

\* Amounts represent balances in the Employees' Retirement System as of December 31, 2003.



# Road Commission for Oakland County

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## Notes to Financial Statements September 30, 2004

### Note 3 - Deposits and Investments (Continued)

Regarding the Retirement System's investments - State statutes and Board of Trustees' policies permit participation of the Retirement System in securities lending transactions. The Retirement System, via a securities lending authorization agreement, authorized the custodial bank to lend the Retirement System's securities to broker-dealers and banks pursuant to a form of loan agreement.

During the year ended December 31, 2003, the custodial bank, at the direction of the Retirement System, lent securities and received United States currency as collateral. Borrowers were required to deliver collateral for each loan equal to at least 100 percent of the market value of the loan securities.

The Retirement System did not impose any restrictions during the year ended December 31, 2003 on the amount of the loans the custodial bank made on its behalf. There were no failures by any of the borrowers to return loaned securities or pay distributions thereon during the year ended December 31, 2003. There were no losses to the Retirement System or the custodial bank during the year ended December 31, 2003 resulting from default of the borrowers.

During the year ended December 31, 2003, the Retirement System and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of the other lenders, in a pool. The average duration of such investment pool as of December 31, 2003 was 116 days. Because the loans could be terminated on demand, their duration did not generally match the duration of the investments made with cash collateral. The collateral held and the fair values of the underlying securities on loan of the Retirement System as of December 31, 2003 were \$21,736,107 and \$21,047,288, respectively.

Included in the Employees' Retirement System's investments at December 31, 2003 are the following securities:

- Approximately \$19,746,000 of collateralized mortgage obligations (CMOs) are held in government agencies. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. Approximately \$2,164,814 of the government agency-held CMOs are guaranteed agency debt. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2004

### Note 3 - Deposits and Investments (Continued)

- Approximately \$4,503,000 of asset-backed securities are included in corporate bonds. These securities are backed by credit card or other receivables and typically include credit enhancements in the form of overcollateralization, third-party letters of credit, seller recourse, insurance company guarantees, and/or senior subordinated structures. These securities are generally considered to offer moderate credit risk, but such risk varies depending upon the type of assets being securitized and the extent and nature of the credit enhancement. Prepayment of these "pay through" securities could result in difficulty reinvesting the prepaid amounts in investments with comparable yields.

### Note 4 - General Fixed Assets and Depreciation

A summary of changes in general fixed assets follows:

|  | Balance<br>October 1,<br>2003 | Increases     | Decreases   | Balance<br>September 30,<br>2004 |
|--|-------------------------------|---------------|-------------|----------------------------------|
| <b>Governmental Activities</b>         |                               |               |             |                                  |
| Capital assets not being depreciated - |                               |               |             |                                  |
| Land:                                  |                               |               |             |                                  |
| Infrastructure                         | \$ 103,822,410                | \$ 5,640,175  | \$ -        | \$ 109,462,585                   |
| Other                                  | 1,728,766                     | -             | -           | 1,728,766                        |
| Subtotal                               | 105,551,176                   | 5,640,175     | -           | 111,191,351                      |
| Capital assets being depreciated:      |                               |               |             |                                  |
| Buildings and storage bins             | 12,357,660                    | 221,250       | 458,396     | 12,120,514                       |
| Road equipment                         | 40,976,200                    | 4,559,367     | 2,297,462   | 43,238,105                       |
| Other equipment                        | 5,207,017                     | 328,797       | -           | 5,535,814                        |
| Infrastructure                         | 602,718,305                   | 55,464,536    | -           | 658,182,841                      |
| Brine wells and gravel pits            | 1,070,822                     | -             | 3,485       | 1,067,337                        |
| Construction in progress               | 421,080                       | 1,903,086     | -           | 2,324,166                        |
| Subtotal                               | 662,751,084                   | 62,477,036    | 2,759,343   | 722,468,777                      |
| Less accumulated depreciation for:     |                               |               |             |                                  |
| Buildings and storage bins             | (7,204,033)                   | (322,642)     | (244,653)   | (7,282,022)                      |
| Road equipment                         | (30,543,526)                  | (4,484,401)   | (1,702,944) | (33,324,983)                     |
| Other equipment                        | (2,932,870)                   | (414,993)     | (90,116)    | (3,257,747)                      |
| Infrastructure                         | (221,115,654)                 | (25,115,602)  | -           | (246,231,256)                    |
| Brine wells and gravel pits            | (622,240)                     | (72,185)      | (3,485)     | (690,940)                        |
| Subtotal                               | (262,418,323)                 | (30,409,823)  | (2,041,198) | (290,786,948)                    |
| Net capital assets being depreciated   | 400,332,761                   | 32,067,213    | 718,145     | 431,681,829                      |
| Net capital assets                     | \$ 505,883,937                | \$ 37,707,388 | \$ 718,145  | \$ 542,873,180                   |

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2004

### Note 5 - Long-term Debt

#### Outstanding Debt

The following is a summary of the debt outstanding of the Road Commission as of September 30, 2004:

|  | Number<br>of Issues | Interest<br>Rate<br>(Percent) | Maturing<br>Through | Principal<br>Outstanding |
|--|---------------------|-------------------------------|---------------------|--------------------------|
| <b>Notes Payable</b>                                   |                     |                               |                     |                          |
| 1999 Michigan Transportation Fund<br>revenue note*     | 1                   | 4.35-4.75                     | 2009                | \$ 4,875,000             |
| 2001 Michigan Transportation Fund<br>revenue note      | 1                   | 3.5-4.0                       | 2011                | <u>7,000,000</u>         |
| Total notes payable                                    |                     |                               |                     | 11,875,000               |
| <b>Other Long-term Liabilities</b>                     |                     |                               |                     |                          |
| Long-term portion of provision for<br>uninsured losses |                     |                               |                     | 3,400,000                |
| Long-term portion of compensated<br>absences liability |                     |                               |                     | <u>3,345,433</u>         |
| Total other long-term liabilities                      |                     |                               |                     | <u>6,745,433</u>         |
| Total long-term debt                                   |                     |                               |                     | <u>\$ 18,620,433</u>     |

\* While these notes will be paid by the Road Fund, it is intended that the Subdivision Improvements Fund will provide the Road Fund with approximately 75 percent of the required debt service funding. At September 30, 2004, approximately \$6,546,000 of special assessment receivables were recorded in the Subdivision Improvements Fund.

**Compensated Absences** - It is the Road Commission's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2004

### Note 5 - Long-term Debt (Continued)

#### Changes in Long-term Debt

The following is a summary of long-term debt transactions of the Road Commission for the year ended September 30, 2004:

|   | Balance<br>October 1, 2003 | Increase<br>(Reduction) | Balance<br>September 30,<br>2004 | Due Within<br>One Year |
|---|----------------------------|-------------------------|----------------------------------|------------------------|
| 1999 Michigan Transportation Fund revenue note      | \$ 5,850,000               | \$ (975,000)            | \$ 4,875,000                     | \$ 975,000             |
| 2001 Michigan Transportation Fund revenue note      | 8,000,000                  | (1,000,000)             | 7,000,000                        | 1,000,000              |
| Long-term portion of provision for uninsured losses | 2,032,000                  | 1,368,000               | 3,400,000                        | -                      |
| Long-term portion of compensated absences           | 3,268,974                  | 76,459                  | 3,345,433                        | -                      |
| Total   | <u>\$ 19,150,974</u>       | <u>\$ (530,541)</u>     | <u>\$ 18,620,433</u>             | <u>\$ 1,975,000</u>    |

#### Debt Service Requirements

The annual principal and interest requirements for the years ending September 30 through maturity for all debt outstanding (excluding the liabilities for compensated absences and uninsured losses) are as follows:

| Years Ending<br>September 30 | Principal            | Interest            | Total                |
|------------------------------|----------------------|---------------------|----------------------|
| 2005                         | \$ 1,975,000         | \$ 484,312          | \$ 2,459,312         |
| 2006                         | 1,975,000            | 406,900             | 2,381,900            |
| 2007                         | 1,975,000            | 328,512             | 2,303,512            |
| 2008                         | 1,975,000            | 246,650             | 2,221,650            |
| 2009                         | 1,975,000            | 163,813             | 2,138,813            |
| 2010-2011                    | 2,000,000            | 120,000             | 2,120,000            |
| Total                        | <u>\$ 11,875,000</u> | <u>\$ 1,750,187</u> | <u>\$ 13,625,187</u> |

#### Interest

Gross interest expense of the Road Commission for the year ended September 30, 2004 approximated \$560,750, of which approximately \$198,000 related to the Subdivision Improvements Fund and the balance to the Road Fund.

# Road Commission for Oakland County

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## Notes to Financial Statements September 30, 2004

### **Note 6 - Contingent Liabilities**

The Road Commission has been named defendant in numerous accident claims and lawsuits requesting damages of various amounts, the majority of which do not state a specific maximum. Insurance coverage related to these claims and lawsuits, if any, is categorized under the general liability insurance program (see Note 7). It is the opinion of management and legal counsel that reasonable estimates of the Road Commission's liability for these matters have been recorded as a liability in the Road Fund at September 30, 2004.

There are also several non-accident liability and condemnation lawsuits currently pending against the Road Commission claiming amounts for damages and relief without stated limitations. It is the opinion of management and legal counsel that reasonable estimates of the Road Commission's liability for these matters have been recorded in the Road Fund at September 30, 2004.

The Road Commission has received and is receiving federal highway grants through the Michigan Department of Transportation for the Integrated Transportation System (ITS) project. These federal grants have certain compliance provisions including a requirement for nonfederal participation in project costs (matching requirement) and a responsibility for the Road Commission to eventually audit the finalized third-party costs for goods and services that have either been charged to certain project contracts or contributed to the project.

The effect on the recorded revenue and expenditures of the ITS projects, if any, that may result from the Road Commission's audits of final third-party contract and contribution costs cannot be determined at this time. However, it is the opinion of the management of the Road Commission that such amounts and the resultant effects on fund balance, if any, would not be material.

### **Note 7 - Insurance Programs**

The Road Commission is exposed to various risks of loss related to general liability claims, property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Road Commission is uninsured for these claims within certain limits. The details for certain of these risks are discussed below.

# Road Commission for Oakland County

**Notes to Financial Statements  
September 30, 2004**

## **Note 7 - Insurance Programs (Continued)**

### **General Liability Claims**

The Road Commission is partially uninsured for general liability claims. Under the plan, the Road Commission is liable for losses up to a retention amount and for the losses in excess of the maximum insurance coverage. Information for the last 10 years is as follows:

| Contract Years Ended<br>September 30 | Retention               |    | Aggregate Limit<br>Per Year<br>(All Cases) | Maximum<br>Insurance<br>Coverage (Per<br>Occurrence and in<br>Aggregate Per<br>Fiscal Year) |
|--------------------------------------|-------------------------|----|--|---|
|                                      | Limit<br>Per Occurrence |    |  |   |
| 1995-2000                            | \$ 1,000,000            | \$ | 4,000,000                                  | \$ 9,000,000  |
| 2001-2004                            | 1,000,000               |    | 4,000,000                                  | 15,000,000  |

### **Workers' Compensation Claims**

The Road Commission is partially uninsured for workers' compensation claims. Under the plan, the Road Commission is liable for losses up to a retention amount and for losses in excess of the maximum insurance coverage. Information for the last 10 years is as follows:

| Fiscal Year of<br>Occurrence | Retention               |   | Coverage (Per<br>Occurrence and in<br>Aggregate) |
|------------------------------|-------------------------|---|--|
|                              | Limit Per<br>Occurrence | Approximate Aggregate<br>Limit Per Year |  |
| 1995                         | \$ 350,000              | \$1,258,000                             | Statutory limitation                             |
| 1996-2000                    | 350,000                 | No aggregate coverage                   | Statutory limitation                             |
| 2001-2004                    | 500,000                 | No aggregate coverage                   | Statutory limitation                             |

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2004

### Note 7 - Insurance Programs (Continued)

#### Medical Claims

The Road Commission is partially uninsured for health care coverage provided to employees (including dependents and retired employees and their spouses). Under the program, the Road Commission is liable for claims up to a retention amount per employee. For the last 11 annual contract periods (September 1, 1994 through August 31, 2005), the retention limit per employee is \$75,000 with no aggregate limitation.

#### Estimated Liabilities

Management has established estimates of the liability for the asserted claims and lawsuits and the unasserted claims related to all of the above-mentioned matters and has recorded the estimated liability at September 30, 2004. However, with respect to unasserted claims, it is not currently possible for management or legal counsel to determine that the ultimate liability, if any, related to these matters will not differ materially from the amounts currently provided.

Changes in the estimated liability for the years ended September 30, 2003 and 2004 are as follows:

|   | General<br>Liability | Workers'<br>Compensation | Medical            | Total               |
|---|----------------------|--------------------------|--------------------|---------------------|
| Estimated liability - October 1, 2002                               | \$ 3,787,888         | \$ 918,000               | \$ 460,000         | \$ 5,165,888        |
| Estimated claims incurred, including changes in estimates           | 1,695,091            | 898,381                  | 7,189,400          | 9,782,872           |
| Claim payments, including related legal and administrative expenses | <u>(2,382,979)</u>   | <u>(82,381)</u>          | <u>(7,249,400)</u> | <u>(9,714,760)</u>  |
| Estimated liability - September 30, 2003                            | 3,100,000            | 1,734,000                | 400,000            | 5,234,000           |
| Estimated claims incurred, including changes in estimates           | 2,178,190            | 735,880                  | 8,461,507          | 11,375,577          |
| Claim payments, including related legal and administrative expenses | <u>(2,078,190)</u>   | <u>(1,269,880)</u>       | <u>(8,361,507)</u> | <u>(11,709,577)</u> |
| Estimated liability - September 30, 2004                            | <u>\$ 3,200,000</u>  | <u>\$ 1,200,000</u>      | <u>\$ 500,000</u>  | <u>\$ 4,900,000</u> |

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2004

### Note 7 - Insurance Programs (Continued)

|   | General<br>Liability | Workers'<br>Compensation | Medical           | Total               |
|---|----------------------|--------------------------|-------------------|---------------------|
| Estimated current portion - Included in<br>accrued liabilities in the Road Fund | \$ 700,000           | \$ 300,000               | \$ 500,000        | \$ 1,500,000        |
| Estimated long-term portion   | <u>2,500,000</u>     | <u>900,000</u>           | <u>-</u>          | <u>3,400,000</u>    |
| Total estimated liability   | <u>\$ 3,200,000</u>  | <u>\$ 1,200,000</u>      | <u>\$ 500,000</u> | <u>\$ 4,900,000</u> |

During 2004, the expenditures recorded in the Road Fund under the general liability (including nonaccident claims and approximately \$480,000 of insurance costs), workers' compensation (including claims and approximately \$98,900 of insurance costs), and health care plans (including health care administrative expenses) were approximately \$1,157,800, \$834,700, and \$8,461,500, respectively.

The approximate total cost of risk management for the year was \$11,822,000, consisting of the amounts recorded in the Road Fund totaling \$10,454,000 as detailed in the preceding paragraph plus \$1,368,000 recorded as a increase of long-term debt obligations (see Note 5).

### Note 8 - Reserved Fund Balances

Fund balances have been reserved for the following purposes:

|  | Governmental<br>Fund -<br>Road Fund | Pension<br>Trust Fund |
|--|-------------------------------------|-----------------------|
| Construction                           | \$ 6,094,123                        | \$ -                  |
| Capital outlay and contracted services | 7,576,043                           | -                     |
| Employee retirement benefits           | <u>-</u>                            | <u>150,190,140</u>    |
| Total                                  | <u>\$ 13,670,166</u>                | <u>\$ 150,190,140</u> |



# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2004

### Note 9 - Designated Fund Balances

Fund balances of the Road Commission's governmental funds have been designated for the following purposes:

|  | Road Fund            | Subdivision<br>Improvement<br>Fund | Total                |
|--|----------------------|------------------------------------|----------------------|
| Subsequent year's budget                                       | \$ 14,356,871        | \$ 1,238,461                       | \$ 15,595,332        |
| Future years' capital acquisitions<br>and maintenance projects | 5,209,000            | -                                  | 5,209,000            |
| Future years' tri-party construction<br>participation          | 3,500,000            | -                                  | 3,500,000            |
| Construction   | 3,515,000            | -                                  | 3,515,000            |
| Inventory  | 1,986,518            | -                                  | 1,986,518            |
| Long-term portion of provision for:                            |                      |                                    |                      |
| Uninsured losses   | 3,400,000            | -                                  | 3,400,000            |
| Compensated absences   | 3,345,433            | -                                  | 3,345,433            |
| Special assessment construction                                | -                    | 3,765,673                          | 3,765,673            |
| Total  | <u>\$ 35,312,822</u> | <u>\$ 5,004,134</u>                | <u>\$ 40,316,956</u> |

### Note 10 - Stewardship, Compliance, and Accountability

The Road Commission is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following is a summary of the requirements of this Act according to the State Treasurer's *Bulletin for Audits of Local Units of Government in Michigan*, dated April 1982 as amended by P.A. 493 of 2000:

- Budgets must be adopted for the Special Revenue Funds. The Road Fund and the Subdivision Improvements Fund are Special Revenue Funds.
- Budgeted expenditures cannot exceed budgeted revenues and fund balance.
- The budgets must be amended when necessary.
- Public hearings must be held before budget adoptions.
- Expenditures cannot exceed budget appropriations.
- Expenditures must be authorized by a budget before being incurred.

# Road Commission for Oakland County

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## Notes to Financial Statements September 30, 2004

### **Note 10 - Stewardship, Compliance, and Accountability (Continued)**

The Road Commission's budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the Road Fund and Subdivision Improvements Fund budgets as adopted by the Board of Road Commissioners is included in the supplementary information.

The Road Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In July, the managing director of the Road Commission submits to the Board of County Road Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain citizen comments.
3. Prior to September 30, the budget is legally enacted by the passage of a resolution.
4. The managing director is authorized to transfer budgeted amounts between line items within an activity category, exclusive of certain exceptions, which require the approval of the Board of County Road Commissioners. These accepted items and any revisions that alter the total expenditures of any budgeted activity must be approved by the Board.

Unexpended appropriations lapse at year end and encumbrances are not included as expenditures. The amount of encumbrances outstanding at September 30, 2004 is approximately \$13,670,000. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that insurance proceeds and costs related to the fire discussed in Note 14 were budgeted as revenue and departmental expenses, respectively, rather than as an extraordinary item.

# Road Commission for Oakland County

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## Notes to Financial Statements September 30, 2004

### Note 11 - Postemployment Benefits

The Road Commission provides health care benefits to all full-time employees and life insurance benefits to duty disability employees upon retirement, pursuant to agreements with various collective bargaining units or other action of the Oakland County Board of Road Commissioners. Currently, approximately 500 retirees and their spouses are eligible. The Road Commission includes retirees and their spouses in its health care plan, with no contribution required by the participant in most circumstances. Expenditures for postemployment benefits are recognized as the life insurance premiums and medical costs become due; during the year, this amounted to approximately \$2,840,000. The medical expenditures for retirees noted above are included in the Road Commission's total health care expenditures disclosed in Note 7.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care expenses over the working life of the employee, rather than at the time the health care expenses are paid. The pronouncement is effective for the year ending September 30, 2008.

### Note 12 - Defined Benefit Pension Plan

#### Plan Description

The Road Commission contributes to the Road Commission for Oakland County Retirement System (the "System"), which is the administrator of a single-employer public employees' retirement system that covers substantially all employees of the Road Commission. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The System currently requires no employee contribution. The obligation of the Road Commission to contribute to and maintain the System for these employees was established by negotiation with various collective bargaining units or other actions of the Oakland County Board of Road Commissioners. At December 31, 2003, the date of the most recent actuarial valuation, membership consisted of 430 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 551 current active employees.

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2004

### Note 12 - Defined Benefit Pension Plan (Continued)

A complete analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability is reported in the Road Commission's Retirement System Financial Report as of December 31, 2003. A copy of this report may be obtained from the Road Commission's administrative office, located at 31001 Lahser Road, Beverly Hills, MI 48025.

#### Significant Accounting Policies

The System is included in the Road Commission's financial statements as a Pension Trust Fund. At December 31, 2003, the assets of the Pension Trust Fund included no securities of or loans to the Road Commission or any other related party and there were no investments in any one organization (other than the U.S. government and U.S. government guaranteed obligations) in excess of 5 percent of net assets available for benefits. Please refer to Note 1 for further significant accounting policies.

**Annual Pension Cost** - For the year ended December 31, 2003, the Road Commission's annual pension cost of \$1,895,360 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of actuarial valuations at December 31, 2001 and 2002, using the individual entry age normal cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 4.5 percent to 8.0 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2003 was 15 years.

**Reserves** - As of December 31, 2003, the plan's legally required reserves have been fully funded as follows:

|                                      |            |
|--------------------------------------|------------|
| Reserve for employees' contributions | \$ 281,104 |
| Reserve for retired benefit payments | 60,609,698 |

# Road Commission for Oakland County

## Notes to Financial Statements September 30, 2004

### Note 12 - Defined Benefit Pension Plan (Continued)

#### Three-year Trend Information

|                               | 2001         | 2002         | 2003         |
|-------------------------------|--------------|--------------|--------------|
| Annual pension cost (APC)     | \$ 2,235,000 | \$ 1,573,200 | \$ 1,895,360 |
| Percentage of APC contributed | 100%         | 100%         | 100%         |
| Net pension obligation        | \$ -         | \$ -         | \$ -         |

### Note 13 - Construction in Process

Estimated future contract cost obligations related to completion of Road Fund construction projects in process at September 30, 2004, net of estimated revenue from federal aid and contributions from participating communities, total approximately \$6,100,000. The total remaining cost of these uncompleted projects will exceed the above estimated future contract costs due to inspection costs and other noncontracted services. It is anticipated that a significant portion of such additional costs will be shared with other governmental units and that the Road Commission's share of these costs will not be material in amount.

### Note 14 - Extraordinary Item

In January 2004, there was a fire at one of the Road Commission's facilities. The fire destroyed or severely damaged not only the building but also numerous vehicles, pieces of equipment, and the supplies that were in the building at the time of the fire. The financial effects of the fire are reported in the financial statements as an extraordinary item.

During the current year, the Road Commission received \$2,577,821 of insurance proceeds and had recorded an additional account receivable related to its insurance claim of \$711,021 at September 30, 2004. The revenue recognition of this receivable was deferred as of September 30, 2004 in the Road Fund's statement of governmental revenue, expenditures, and changes in fund balance, but not the statement of activities, consistent with the Road Commission's revenue recognition policies.

Incremental costs related to the fire for temporary leases, security costs, equipment rentals, and similar items, aggregating \$927,766 during the fiscal year ended September 30, 2004, are reported as a component of the extraordinary item rather than as expenditures in the statement of governmental fund revenues, expenditures, and changes in fund balances/statement of activities.

# Road Commission for Oakland County

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**Notes to Financial Statements  
September 30, 2004**

## **Note 14 - Extraordinary Item (Continued)**

The write-down in the carrying amount of the assets impaired or destroyed by the fire totaled \$710,243, and is recorded in the extraordinary item in the statement of activities, but not in the statement of governmental fund revenue, expenditures, and changes in fund balance for the fiscal year ended September 30, 2004.

The Road Commission is in the process of replacing the damaged building with an expanded and updated facility and has purchased or has ordered vehicles and equipment to replace the assets lost in the fire. The actual cost of the improved facility and upgraded equipment fleet will significantly exceed the anticipated insurance proceeds.

## **Supplementary Information**

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# Road Commission for Oakland County

## Required Supplementary Information Budgetary Comparison Schedule - Road Fund Year Ended September 30, 2004

|  | Original Budget      | Amended Budget       | Actual               | Variance<br>Favorable<br>(Unfavorable) |
|--|----------------------|----------------------|----------------------|--|
| <b>Revenue</b>                                     |                      |                      |                      |  |
| State aid - Act 51                                 | \$ 61,806,200        | \$ 63,692,200        | \$ 64,494,903        | \$ 802,703                             |
| Other state sources                                | 12,070,000           | 12,010,000           | 16,705,913           | 4,695,913                              |
| Federal sources                                    | 33,161,133           | 33,839,739           | 27,734,419           | (6,105,320)                            |
| Revenue from county and local governments          | 10,356,500           | 11,628,142           | 12,254,018           | 625,876                                |
| Interest on investments                            | 500,000              | 500,000              | 687,272              | 187,272                                |
| Fees and other revenue                             | 2,196,301            | 1,696,301            | 1,655,747            | (40,554)                               |
| Insurance proceeds                                 | -                    | 3,277,821            | 2,577,821            | (700,000)                              |
| Total revenue                                      | 120,090,134          | 126,644,203          | 126,110,093          | (534,110)                              |
| <b>Expenditures</b>                                |                      |                      |                      |  |
| General administration:                            |                      |                      |                      |  |
| Board of County Road Commissioners                 | 141,500              | 141,500              | 121,459              | 20,041                                 |
| Managing director                                  | 836,447              | 911,461              | 762,007              | 149,454                                |
| Planning and development                           | 1,359,305            | 1,617,683            | 1,196,404            | 421,279                                |
| Citizens' services                                 | 312,981              | 314,216              | 310,121              | 4,095                                  |
| Finance department                                 | 886,417              | 938,617              | 899,484              | 39,133                                 |
| Legal department                                   | 698,164              | 718,864              | 712,253              | 6,611                                  |
| Human Resources department                         | 549,483              | 568,482              | 526,959              | 41,523                                 |
| Total general administration                       | 4,784,297            | 5,210,823            | 4,528,687            | 682,136                                |
| Central operations                                 | 9,974,511            | 14,467,184           | 12,080,599           | 2,386,585                              |
| Engineering department                             | 5,582,767            | 5,729,629            | 5,372,581            | 357,048                                |
| Traffic department                                 | 10,715,153           | 12,643,018           | 10,650,047           | 1,992,971                              |
| Permits and environmental concerns                 | 1,121,631            | 1,166,976            | 1,135,708            | 31,268                                 |
| Maintenance department                             | 21,503,932           | 29,197,418           | 24,699,106           | 4,498,312                              |
| Nondepartmental                                    | 17,700,245           | 15,996,735           | 15,715,571           | 281,164                                |
| Debt service                                       | 1,605,715            | 1,605,715            | 1,604,964            | 751                                    |
| Total expenditures before project expenditures     | 72,988,251           | 86,017,498           | 75,787,263           | 10,230,235                             |
| Project expenditures:                              |                      |                      |                      |  |
| Road improvement program and construction          | 38,446,450           | 37,701,711           | 36,819,437           | 882,274                                |
| Southeast Michigan snow and ice management         | 1,885,000            | 2,216,000            | 2,266,054            | (50,054)                               |
| Signals  | 7,362,883            | 7,642,883            | 4,581,812            | 3,061,071                              |
| Intelligent transportation systems                 | 1,935,000            | 773,541              | 842,452              | (68,911)                               |
| Total project expenditures                         | 49,629,333           | 48,334,135           | 44,509,755           | 3,824,380                              |
| Total expenditures                                 | 122,617,584          | 134,351,633          | 120,297,018          | 14,054,615                             |
| <b>Excess of Revenue Over (Under) Expenditures</b> | (2,527,450)          | (7,707,430)          | 5,813,075            | <b>\$ 13,520,505</b>                   |
| <b>Fund Balance - October 1, 2003</b>              | 43,169,913           | 43,169,913           | 43,169,913           |  |
| <b>Fund Balance - September 30, 2004</b>           | <b>\$ 40,642,463</b> | <b>\$ 35,462,483</b> | <b>\$ 48,982,988</b> |  |



# Road Commission for Oakland County

## Other Supplementary Information Budgetary Comparison Schedule - Subdivision Improvement Fund Year Ended September 30, 2004

|   | Subdivision Improvement Fund |                            |                            | Variance                   |
|---|------------------------------|----------------------------|----------------------------|----------------------------|
|   | Original<br>Budget           | Amended<br>Budget          | Actual                     | Favorable<br>(Unfavorable) |
| <b>Revenue</b>  |                              |                            |                            |                            |
| Special assessment revenue  | \$ 2,450,000                 | \$ 2,475,000               | \$ 2,049,148               | \$ (425,852)               |
| Interest  | 400,000                      | 400,000                    | 364,790                    | (35,210)                   |
| Total revenue   | 2,850,000                    | 2,875,000                  | 2,413,938                  | (461,062)                  |
| <b>Expenditures</b>   |                              |                            |                            |                            |
| Debt service  | 932,535                      | 932,535                    | 931,762                    | 773                        |
| Project expenditures - Road improvement<br>program and construction | 2,994,800                    | 3,019,800                  | 2,960,124                  | 59,676                     |
| Total expenditures  | 3,927,335                    | 3,952,335                  | 3,891,886                  | 60,449                     |
| <b>Excess of Expenditures Over Revenue</b>                          | (1,077,335)                  | (1,077,335)                | (1,477,948)                | <b>\$ (400,613)</b>        |
| <b>Fund Balance - October 1, 2003</b>                               | 6,482,082                    | 6,482,082                  | 6,482,082                  |                            |
| <b>Fund Balance - September 30, 2004</b>                            | <b><u>\$ 5,404,747</u></b>   | <b><u>\$ 5,404,747</u></b> | <b><u>\$ 5,004,134</u></b> |                            |

# **Road Commission for Oakland County**

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**Federal Awards  
Supplemental Information  
September 30, 2004**

# Road Commission for Oakland County

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## Independent Auditor's Report

To the Board of Commissioners  
Road Commission for Oakland County

We have audited the basic financial statements of the Road Commission for Oakland County for the year ended September 30, 2004 and have issued our report thereon dated December 22, 2004. Those basic financial statements are the responsibility of the management of the Road Commission for Oakland County. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Road Commission for Oakland County taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

December 22, 2004



A worldwide association of independent accounting firms

Report Letter on Compliance with Laws and Regulations and  
Internal Control - Basic Financial Statements

To the Board of Commissioners  
Road Commission for Oakland County

We have audited the financial statements of the Road Commission for Oakland County as of and for the year ended September 30, 2004 and have issued our report thereon dated December 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Road Commission for Oakland County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Road Commission for Oakland County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Road Commission for Oakland County in a separate letter dated December 22, 2004.

To the Board of Commissioners  
Road Commission for Oakland County

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

December 22, 2004

## Report Letter on Compliance with Laws and Regulations and Internal Control - Major Federal Awards

To the Board of Commissioners  
Road Commission for Oakland County

### Compliance

We have audited the compliance of the Road Commission for Oakland County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended September 30, 2004. The major federal program of the Road Commission for Oakland County is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Road Commission for Oakland County's management. Our responsibility is to express an opinion on the Road Commission for Oakland County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Road Commission for Oakland County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Road Commission for Oakland County's compliance with those requirements.

In our opinion, the Road Commission for Oakland County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 04-01.

To the Board of Commissioners  
Road Commission for Oakland County

### **Internal Control Over Compliance**

The management of the Road Commission for Oakland County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Road Commission for Oakland County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over compliance that we have reported to the management of the Road Commission for Oakland County in a separate letter dated December 22, 2004.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

December 22, 2004



# Road Commission for Oakland County

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2004

| Federal Agency/Pass-through Agency/Program<br>Title   | CFDA<br>Number | Award<br>Amount | Federal<br>Expenditures     |
|---|----------------|-----------------|-----------------------------|
| U.S. Department of Transportation - Federal<br>Highway Administration - Passed through<br>the Michigan Department of Transportation                 | 20.205         | \$ 158,690,876  | \$ 26,110,541               |
| U.S. Federal Emergency Management Award<br>Agency - Passed through Michigan<br>Department of State Police - Blackout<br>Emergency Public Assistance | 97.036         | 19,045          | <u>19,045</u>               |
| Total federal awards  |                |                 | <u><u>\$ 26,129,586</u></u> |

# **Road Commission for Oakland County**

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## **Note to Schedule of Expenditures of Federal Awards Year Ended September 30, 2004**

### **Note - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Road Commission for Oakland County and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

# Road Commission for Oakland County

## Schedule of Findings and Questioned Costs Year Ended September 30, 2004

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

#### Federal Awards

Internal control over major program:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?   X   Yes \_\_\_\_\_ No

Identification of major program:

| CFDA Number | Name of Federal Program or Cluster  |
|-------------|---|
| 20.205      | U.S. Department of Transportation - Federal Highway Administration - Passed through the Michigan Department of Transportation |

Dollar threshold used to distinguish between type A and type B programs: \$500,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

# Road Commission for Oakland County

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2004

### Section II - Financial Statement Audit Findings

None

### Section III - Federal Program Audit Findings

| Reference<br>Number | Findings  |
|---------------------|---|
| 04-01               | <p><b>Program Name</b> - U.S. Department of Transportation - Federal Highway Administration</p> <p><b>Pass-through Entity</b> - Michigan Department of Transportation (MDOT)</p> <p><b>Finding Type</b> - Material noncompliance</p> <p><b>Criteria</b> - In order to comply with federal requirements, requests for reimbursement must be limited to amounts contractually authorized.</p> <p><b>Condition</b> - The Road Commission invoiced the Michigan Department of Transportation for federal reimbursement in an instance where costs were outside the scope of the contract with MDOT. The instance relates to a situation where the Road Commission entered into a contract for services that was then submitted to MDOT for approval. Only much later, after discussions of an increase to the service contract were initiated, did the Road Commission realize that the original contract had never been formally approved by MDOT. The Road Commission submitted requests for federal reimbursement for costs incurred pursuant to the original contract as well as for costs incurred related to the expected contract modification.</p> <p><b>Questioned Costs</b> - \$281,372 and \$53,865 related to the original service contract and the anticipated increase, respectively</p> <p><b>Context</b> - Unfamiliarity with the status of contract approvals led to inappropriate reimbursement requests being prepared by the Road Commission.</p> <p><b>Cause/Effect</b> - The Road Commission for Oakland County may be required to reimburse MDOT if favorable determinations are not obtained.</p> <p><b>Recommendation</b> - The Road Commission for Oakland County should increase its focus on contractual status and compliance matters. We recommend that all agreements be fully executed prior to project commencement.</p> |

# Road Commission for Oakland County

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2004

### Section III - Federal Program Audit Findings (Continued)

| Reference<br>Number | Findings   |
|---------------------|--|
|                     | <b>Grantee Response</b> - The Road Commission has devoted time to additional familiarization of staff with federal procedures and contractual requirements and is re-examining control procedures so that authorized limitations will not be exceeded. The Road Commission has initiated steps to address the documentation requirements to resolve this matter with MDOT. |

# Road Commission for Oakland County

## Schedule of Prior Audit Findings Year Ended September 30, 2004

| <u>Fiscal<br/>Year</u> | <u>Finding<br/>Number</u> | <u>Finding</u>   | <u>CFDA<br/>Number</u> | <u>Questioned<br/>Costs</u> | <u>Comments</u>  |
|------------------------|---------------------------|--|------------------------|-----------------------------|--|
| 2003                   | 03-01                     | The Road Commission for Oakland County did not prepare timely bank reconciliations that completely identified differences between bank statement activity and general ledger postings. | N/A                    | N/A                         | The Road Commission prepared timely bank reconciliations throughout 2004.  |
| 2003                   | 03-02                     | The Road Commission for Oakland County had not obtained, or had not obtained on a timely basis, executed contracts with other units of government.                                     | N/A                    | N/A                         | The Road Commission has devoted time to additionally familiarize the staff with the need to obtain fully executed contracts with other units of government on a timely basis wherever practicable.                               |
| 2003                   | 03-03                     | There were instances noted where the grantee obtained certified payrolls but with no corresponding completed interview sheet.  | 20.205                 | N/A                         | Modified procedures were implemented for new construction projects initiated in fiscal year 2003 and subsequent consistent with the requirements outlined in the Michigan Department of Transportation 2003 construction manual. |

# Road Commission for Oakland County

## Schedule of Prior Audit Findings (Continued) Year Ended September 30, 2004

| <u>Fiscal<br/>Year</u> | <u>Finding<br/>Number</u> | <u>Finding</u>  | <u>CFDA<br/>Number</u> | <u>Questioned<br/>Costs</u> | <u>Comments</u>  |
|------------------------|---------------------------|---|------------------------|-----------------------------|--|
| 2003                   | 03-04                     | The Road Commission invoiced the Michigan Department of Transportation (MDOT) for federal reimbursement in two instances where costs were outside of the scope of the contract with the department. The first instance represents invoices submitted for federal reimbursement for costs in excess of authorized amounts. The second instance represents invoices submitted for federal reimbursement in excess of actual costs due to a lack of supporting documentation being submitted by another agency to the Road Commission for Oakland County at the time of their request for payment. | 20.205                 | \$86,488 and \$80,593       | The Road Commission has devoted time to additionally familiarize staff with federal procedures and has re-examined control procedures so that authorized limitations are not exceeded. Additionally, the Road Commission is in the process of trying to resolve the questioned costs in the first noted instance and has repaid MDOT the funds it had inappropriately received in the second noted instance. |
| 2003                   | 03-05                     | An agency that had contracted with the Road Commission for Oakland County for certain construction services subcontracted the service without prior approval or review by the Road Commission or the Michigan Department of Transportation.   | 20.205                 | \$361,397                   | The Road Commission made additional efforts to familiarize staff with the requirement to obtain prior approval for third-party contracts. Furthermore, the contracting agency has obtained MDOT approval for the subcontracted service that had previously been deemed to be questioned costs.   |

December 22, 2004

Board of County Road Commissioners  
Road Commission for Oakland County  
31003 Lahser Road  
Beverly Hills, MI 48025

Dear Board Members,

We have recently completed our audit of the financial statements of the Road Commission for Oakland County for the year ended September 30, 2004. In conjunction with our audit, we offer the following comments and recommendations for your consideration.

### UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize (but not necessarily fund) the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year-ended September 30, 2008.

The administration has already obtained an actuarial study addressing this future obligation and is actively reviewing the implications of the timing and the various elective alternatives related to the adoption of the pronouncement. We would like to commend the Road Commission for its early attention to this matter.



## **PRIOR YEAR'S OBSERVATIONS**

We were pleased to note the extra attention given by the Road Commission staff to several items that were included in last year's letter of comments and recommendations. Bank reconciliations, once again, are being prepared on a timely basis, the aging of non-maintenance work order billings was dramatically improved and our testing of Davis-Bacon compliance documentation went well.

We also noted significantly fewer instances of incomplete or less than timely execution of construction-related contracts. However, we did note one instance, admittedly dating back several years, where contract approval was not timely obtained, resulting in a questioned cost in the Single Audit, and an instance where the formal (versus oral) approval for a contract amendment could not be located. Based on our testing, we believe that this area would still benefit from continued attention.

## **JOURNAL ENTRIES**

Through discussions with management, it is our understanding that a limited number of employees have access to the accounting system software that enables them to post journal entries. Current procedures provide that posted journal entries are held in a "pending state" until approved by an authorized reviewer, except that entries initiated by an authorized reviewer do not necessarily require approval by another reviewer.

We believe that internal controls will be improved by requiring that all journal entries be reviewed by an appropriate individual. Additionally, since the software system allows for entries to be initiated and approved by the same individual, a formal procedure to document the fact that all entries have been independently reviewed should be established.

## **ITS POST-AWARD AUDITS**

As you are aware, the Road Commission, in many instances, is required to perform post-award compliance audits of contracts awarded related to its ITS programs. We understand that the Road Commission has obtained understandings with various third-party agencies to perform the post award audits for all of the significant contracts that have not, as of yet, been reviewed. We recommend that a regular follow-up procedure be utilized to help ensure that these audits are concluded as timely as possible since the initiation date of some of these contracts are quite old, which may hamper the auditors' ability to readily obtain historical documents.

Board of County Road Commissioners  
Road Commission for Oakland County

December 22, 2004

## TRANSPORTATION FINANCING

As you are no-doubt aware, last fall the State Legislature approved HB 5319 which will earmark one-half of one cent of the State gasoline tax for the preservation, improvement or reconstruction of existing bridges. It is estimated that over the next 10 years, approximately a half billion dollars will be available to local governments for bridge needs. Presently, these monies are used primarily by the Michigan Department of Transportation for State bridges. The legislation creates a Local Bridge Authority to manage the monies, as well as seven five-member regional bridge councils. The new Authority will consist of six voting members appointed by the State Transportation Commission (three nominations by the County Road Association of Michigan and three by the Michigan Municipal League) and two non-voting members nominated by the Department of Transportation.

We would like to thank the Road Commission personnel for the courtesy and assistance extended to us during the audit. We would be happy to address any questions you may have regarding the annual financial report, and the above comments and recommendations, or any other matters, with you at your convenience.

Very truly yours,

PLANTE & MORAN, PLLC



Mark E. Chmielewski



Jenny L. Cederstrom



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P.O. Box 307  
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plantemoran.com

May 19, 2006

Ms. Suzanne Schafer  
Michigan State Treasury  
Bureau of Local Government Services  
Local Government Audit Division  
Treasury Building  
Lansing, MI 48992

Dear Ms. Schafer:

Enclosed please find three copies of the analysis of changes in Road Fund balances of the Road Commission for Oakland County for the year ended September 30, 2004. The analysis is for the same period covered by our audit report dated December 22, 2004.

Please feel free to call me at (248) 223-3215 if you have any questions regarding the enclosed information.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read "Mark E. Chmielewski".

Mark E. Chmielewski

cc: Mr. Dennis Lockhart  
Road Commission for Oakland County

A member of



A worldwide association of independent accounting firms

## Independent Auditor's Report

To the Board of Road Commissioners  
Road Commission for Oakland County

We have audited the basic financial statements of the Road Commission for Oakland County, Michigan for the year ended September 30, 2004 and have issued our report thereon dated December 22, 2004. These financial statements are the responsibility of the Road Commission for Oakland County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying analysis of changes in Road Fund balances for the year ended September 30, 2004 is presented for the purpose of additional analysis and is not a required part of the financial statements of the Road Commission for Oakland County. Such information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Plante & Moran, PLLC*

July 5, 2005

# Road Commission for Oakland County

## Analysis of Changes in Road Fund Balances Year Ended September 30, 2004

|  | Primary<br>Road Fund | Local<br>Road Fund | County Road<br>Commission<br>Fund | Total               |
|--|----------------------|--------------------|-----------------------------------|---------------------|
| <b>Revenue</b>   |                      |                    |                                   |                     |
| Federal sources  | \$ 27,734,420        | \$ -               | \$ -                              | \$ 27,734,420       |
| State sources  | 61,708,744           | 11,271,024         | -                                 | 72,979,768          |
| Contributions from local units   | 5,655,903            | 751,270            | -                                 | 6,407,173           |
| Licenses and permits   | 612,596              | 153,149            | -                                 | 765,745             |
| Charges for services   | 2,674,512            | 619,037            | 10,145,186                        | 13,438,735          |
| Interest and rents   | 820,607              | 231,453            | -                                 | 1,052,060           |
| Special assessments  | -                    | 2,021,571          | -                                 | 2,021,571           |
| Gain on equipment disposition and other  | 447,169              | 280,487            | 280,160                           | 1,007,816           |
| Total revenue  | 99,653,951           | 15,327,991         | 10,425,346                        | 125,407,288         |
| <b>Expenditures</b>  |                      |                    |                                   |                     |
| Road construction  | 20,643,460           | -                  | -                                 | 20,643,460          |
| Heavy maintenance  | 29,228,235           | 8,531,690          | -                                 | 37,759,925          |
| Routine maintenance  | 24,429,352           | 12,578,336         | -                                 | 37,007,688          |
| Trunkline maintenance  | -                    | -                  | 9,320,276                         | 9,320,276           |
| Trunkline nonmaintenance   | -                    | -                  | 191,233                           | 191,233             |
| Administrative   | 6,498,986            | 1,846,458          | -                                 | 8,345,444           |
| Excess of equipment costs and capital outlay<br>over related equipment rentals - Net | 814,766              | 711,475            | 452,527                           | 1,978,768           |
| Debt service:  |                      |                    |                                   |                     |
| Principal  | 1,241,507            | 733,493            | -                                 | 1,975,000           |
| Interest   | 362,707              | 198,043            | -                                 | 560,750             |
| ITS and SEMSIM   | 3,289,617            | -                  | -                                 | 3,289,617           |
| Total expenditures   | 86,508,630           | 24,599,495         | 9,964,036                         | 121,072,161         |
| <b>Excess of Revenue Over (Under) Expenditures</b>                                   | 13,145,321           | (9,271,504)        | 461,310                           | 4,335,127           |
| <b>Fund Balances - October 1, 2003</b>   | 47,493,199           | 106,140            | 2,052,655                         | 49,651,994          |
| <b>Optional Transfers</b>  | (10,000,000)         | 10,000,000         | -                                 | -                   |
| <b>Fund Balances - September 30, 2004</b>  | <b>\$50,638,520</b>  | <b>\$ 834,636</b>  | <b>\$2,513,965</b>                | <b>\$53,987,121</b> |